

DECEMBER 03, 2012 / 2:00PM, TWC - Time Warner Cable Inc. at UBS Global Media and Communications Conference

John Hodulik - UBS - Analyst

When do you expect to have this across your footprint?

Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

We have got it in several markets today. We are usually methodical, so what we have been doing is trying to make sure that we know how to sell it, that we know how to service it, and so on. And then we are going to go more broadly after that.

So as we go into next year we will be going more widely.

John Hodulik - UBS - Analyst

Okay. Any questions from the audience?

Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

Must be early on Monday morning.

John Hodulik - UBS - Analyst

Yes, I think you were just very comprehensive. One here in the middle.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Can you talk about fiber to the tower and what percent – I guess within your footprint how aggressively you are building fiber to the tower? When you choose to actually build to the tower, what is the scenario there? When are you choosing to pass on the opportunity to build fiber to a tower? And then run maybe through some rough economics on it.

Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

Okay, I think you are asking about cell tower backhaul, and we have a very robust business there, essentially connecting the cell towers to the rest of the wired network with fiber. I think the answer is it is an ongoing process.

We get orders from the cellular carriers and the wireless companies, and we look at each one on a rate of return basis. And as long as the rate of return is good, then we do it.

Unidentified Audience Member

Just a question, just going back to what you were talking about earlier about taking maybe a little bit of a harder stand in the programming contracts that might be coming up. Just if you can talk about that a little bit more in the sense of any willingness you are seeing on the part of the content providers to do more of a piecemeal with their content. Or if not, what kind of leverage you might try to use to get them to allow you to drop some of their channels that have low viewership.



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Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

It's really hard to generalize about that, because each contract is different; each negotiation is different. And obviously some programming is more valuable than other programming.

I think what I was trying to get at is that this business, because we sell a package and we have tried to be very comprehensive and inclusive in that package, that over the years we have accumulated networks that hardly anybody watches. A number of them are trying to reach the same audience as other ones that maybe are more successful.

If you speak to the people who run those networks or own them they almost feel it is like a birthright. It is like -- well, I have this network that has distribution to 70 million homes or 80 million or whatever number, and I am getting paid every month for it. And all right, well maybe this year I wasn't able to get a big audience; but you know next year I'm going to work harder and I'm going to spend more money on programming and it is going to be good.

And sometimes people even change the entire content of the network, and our Company has been pretty aggressive in not letting that happen since we are selling a whole package that appeals to different people. It is not a birthright; it is not a carte blanche.

I think what we are saying is, because the consumer is telling us they can't afford these prices anymore, where we can we are going to have to start cutting things off. So if you have a network that is getting hash-mark ratings and no real sign it is going to get any better and your contract is up, we are going to have a different kind of conversation than we might have had five, six, or 10 years ago.

John Hodulik - UBS - Analyst

That seems to have provoked a couple questions. One in the back here and then one up front.

Unidentified Audience Member

Glenn, the gross margin on broadband has got to be the highest gross margin of any product offered by any industry in the United States. It's like 95%. What could possibly put pressure on that that you can envision over the next few years?

And secondly I wanted to ask -- I see the Lakers lost to another mediocre team last night. Could you be in line to replace D'Antoni in midseason?

Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

I won't say anything about my basketball expertise. I think actually this gross margin thing is something that there is a perception that maybe our Company caused in our effort to be transparent, what we have taken as the costs that are direct and easily assignable to the different businesses, and said that is it in the gross margin. In the case of the video business, because it is all the programming costs, that is a big number. And in the case of broadband it is just the direct bandwidth costs from the third parties; it looks like a small number, so it looks like the margin is really high.

The reality is if we attempted to allocate all of our costs all the way down to the bottom line you would get a very different picture. At least to date we have not thought the expense of the cost accounting is worth doing that, but I think it is a wrong impression to say -- oh broadband is obscenely profitable and video isn't.

Our employees that work every day, a service plant that services both businesses, and a pretty high percentage of our capital spending, which of course ends up as depreciation, is going against broadband. So I think if you look at the complete picture broadband is a great business, but it is not quite as profitable as just that gross margin number might make you think.



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Unidentified Audience Member

Glenn, how do you see the ad business over the next few years? How do you see the advertising business over the next few years?

Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

Well, I know there's a lot of people talking about advertising this morning I heard earlier. Our part is we are in a relatively small niche in the ad business, selling primarily local advertising that is highly targeted. We are heavily dependent on automotive and on the political cycle.

So this year obviously as you have seen through the third quarter, a good year because we had a presidential election; and that will hit again in the fourth quarter. Obviously next year we won't have as much political, so there is sort of a picket fence nature to that.

I think we have said automotive recently has been getting stronger. But not really in a position to predict much about what our niche is going to look like over the next couple of years. It tends to follow the broader market.

John Hodulik - UBS - Analyst

Again last question over here.

Unidentified Audience Member

I just had a question. You mentioned the programming costs a number of times during your talk. What is the catalyst under which the content providers are actually going to offer more a-la-carte type things? Because as you say it is a negative for them because on average the bottom half of the content is isn't worth what you are paying for it, and when you are making your customers pay for it.

So is it going to be something like an Apple TV or something a little bit more sophisticated that a consumer will buy and then allow them to choose, and you'll make your money more on the broadband side? What is the catalyst under which that might happen over the next few years?

Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

I think the problem isn't -- you should ask some of the entertainment guys this, but I'll answer it to the extent I know about it; and we used to be part of Time Warner, so I know something. A-la-carte just doesn't work for those companies. If you think about the existing package, it is a wonderful mechanism to mitigate risk in a business that -- I would argue the entertainment business is one of the riskiest businesses on the planet.

If you think about it in its pure form, look at Broadway theater where people invest in a show and they have high hopes and it either makes it or it doesn't. Most of them don't, by the way. Theatrical movie business has some of those characteristics.

So what has happened in TV is we have these linear networks and they have distribution. It is part of this big package. And they have assured subscription revenue. And they have some assurance, just people flipping around, they are going to get at least some advertising.

That means that they can take that revenue stream and then go and invest money in production -- production that might not otherwise occur. So that is the risk mitigation part of it.

A-la-carte starts -- a-la-carte by network or a-la-carte by program, which some people think they want, makes it look much more like Broadway theater. So I think the outcome is much less production, much riskier entertainment business; and it just doesn't work.



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I think aside from that there is a lot of value in the package if you think about cost avoidance. So in reality we as a distributor do the marketing, we do the billing, we do the customer relationship. And though somebody who runs a network might rail at us being not great marketers or whatever, the reality is if each network had to separately market itself and bill itself and deal with consumers separately, you would introduce a whole lot of cost into the system that is not there today.

So this actually works quite well for the consumer today, and it is a relatively good value. I think the problem is the trajectory of it. If you are in the content business you are trying to seek eyeballs, so you are competing with each other. And the only way people seem to know how to do that is to spend ever more for programming, and that is what is out of kilter with consumer behavior.

John Hodulik - UBS - Analyst

Actually I have one quick one here on the side and then we will wrap up.

Unidentified Audience Member

Two quick questions. The first just do you have any more – could you speak of maybe some more benefits that you see from the Wi-Fi network besides churn related?

And secondly, I think Cablevision in the past has said that they may have the ability to offer a voice-type service over their Wi-Fi network. Is that something that you would consider in the future?

Glenn Britt - Time Warner Cable Inc. - Chairman, CEO

As to the second one, we have not looked extensively at that. I think the wireless carriers do a fine job of voice.

People are actually talking on the phone less than they used to. It is more about data these days. So it is not a big focus right now.

Wi-Fi as I said we are just starting. We see it as a great additional benefit to our wireline broadband. There is some early evidence that our customers see it that way too.

There may be some benefit in offloading traffic from the very crowded traditional wireless spectrum. But we will have to see how that works.

John Hodulik - UBS - Analyst

Okay. Glenn we really appreciate your time. Thank you all for being here.

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Attachment 32

Seeking Alpha ^α

Towerstream Management Discusses Q3 2012 Results - Earnings Call Transcript

Executives

Joseph P. Heron - Chief Financial Officer, Principal Accounting Officer and Secretary

Jeffrey M. Thompson - Co-Founder, Chief Executive Officer, President and Director

Analysts

Sanford Lee - Canaccord Genuity, Research Division

Donna Jaegers - D.A. Davidson & Co., Research Division

Greg Scott - Dominick and Dominick Securities Inc., Research Division

Richard O'Leary - Lacuna, LLC

Jonathan A. Schildkraut - Evercore Partners Inc., Research Division

Jeb Terry

Towerstream (TWER) Q3 2012 Earnings Call November 8, 2012 5:00 PM ET

Operator

Good day, ladies and gentlemen, and welcome to Towerstream Reports Third Quarter 2012 Financial Results Conference Call. [Operator Instructions] As a reminder, this call may be recorded. I would now like to introduce your host for today's conference, Joe Heron, Chief Financial Officer. You may begin.

Joseph P. Heron

Thank you, operator. During the course of this conference call, we may discuss some of the estimates, assumptions and other factors that our management team currently anticipates may influence our business and results going forward. These forward-looking statements include expressed or implied statements regarding our business, including, without limitation, our future operating results and business developments based on limited information currently available to us. This information is subject to change, and all forward-looking statements are inherently speculative and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in forward-looking statements. Such statements are subject to risks and uncertainties, including the risks described in the press release announcing this call and the risks discussed in the Risk Factors section of our periodic filings and other reports with the SEC.

These forward-looking statements are intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995. We undertake no obligation to publish, update or revise any forward-looking statement as a result of new information, future events or otherwise.

I'll turn the call over to Jeff Thompson, our President and CEO.

Jeffrey M. Thompson

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Thanks, Joseph. And thanks, everyone, for joining us on the call today. First, I would like to start by thanking the employees at Towerstream for the incredible dedication and work ethic through the super storm Sandy. You're the reason the network held up so well, and our call centers never went down.

I would like to start with a fundamental shift in cellular network architecture to small cells in hyperdensification. 3 out of 4 of the largest U.S. carriers have made announcements of small cell build-outs. Small cell technologies include Wi-Fi, metro cell and DAS. Sprint and AT&T have both come out with very specific detailed plans for their network. Sprint this week at the WBA Wi-Fi Global Congress in San Francisco gave us more color and talked about being surgical with Wi-Fi and LTE small cells, but warned of the challenges of affordable backhaul solutions. AT&T also presented and talked about the merger of Wi-Fi and LTE small cells. This confirmed our research that we mentioned in Q4 2011 that these technologies will be deployed side-by-side.

China Mobile, this week, presented their plans to go from 3 million Wi-Fi nodes to 6 million Wi-Fi nodes in 2 years. During the Aruba presentation, they stated their thesis that cellular will fill in for Wi-Fi. AT&T also presented to analysts this week their plan to deploy 40,000-plus small cell nodes in urban environments. We expect Verizon to follow with more detailed on their small cell deployment and T-Mobile, as T-Mobile continues the modernization of their network.

We are pleased to report that we now have over 10,010 locations in urban environments. These include already built Wi-Fi nodes and small cell locations available for lease today. These locations have long-term leases and exclusivity.

Let's move on to talk some of the different ways that they can be leased. Let me start with our Wi-Fi nodes. Our Wi-Fi nodes have been tested and, I'm pleased to report, are Passpoint ready. This eliminates any SSID limitations. This gives us many features and capabilities that carries need to manage and control the user experience, and to make Wi-Fi a seamless part of the radio access network. The high bandwidth capability of Wi-Fi can drive usage and revenue for the carriers.

Our Wi-Fi nodes are true neutral-hosted solutions. This means we can lease the same antenna many times to different customers. We typically have 3, and sometimes 4 Wi-Fi nodes on our rooftops. The Wi-Fi cost structure is significantly less than traditional cellular or DAS antennas, which allow us to generate more node cash flow with less revenue. But what makes it more compelling is that there are many different possible customers. Wi-Fi can be used by many different customers, carriers, MSOs, Internet companies, location-based services and platform players like Apple, Google, Microsoft, Skype, Facebook and Amazon. We believe the low cost and multiple revenue possibilities can exceed other cell -- node cash flow margins.

Let's talk about small cell. For Towerstream, small cell will be a traditional rooftop colocation, the carrier case for the equipment and the install. We can also supply the backhaul, if needed, but not required. We believe in the first half in 2013, there will be 3G UMTS and HSPA-plus small cell deployments, which will require approximately 20 megabits of backhaul.

In 2014, we see the migration to 4G small cell which will require more backhaul, which we can supply immediately if needed. We can also accommodate gas nodes but do not believe that they will be the technology of choice in outdoor deployments, now that small cell is shipping.

And with that, I want to hand the call back over to Joseph.

Joseph P. Hernon

Thanks, Jeff. I will start with a review of our fixed wireless business. The revenues of \$8.1 million were basically flat with Q2 and up 20% from the third quarter of 2011. Year-to-date revenue is slightly more than \$24 million with 25% higher than the same period for 2011.

New customer ARPU recovered nicely from a dip in Q2, increasing from 477 in Q2 to 560 in Q3. This had a positive effect in total customer ARPU, which increased from 708 in Q2 to 714 in Q3. Total customer ARPU is now at its highest level since Q4 2009 when our customer base was almost 50% lower than it is today.

Customer upgrade activity was at a record level for the second consecutive quarter as our customer base continues to require ever increasing amounts of bandwidth to run their business. Customer churn of 1.5% remained within our targeted range of 1.4% to 1.7% for the 12th consecutive quarter and well below industry averages of approximately 2%.

We are pleased to report that adjusted EBITDA profitability for the fixed wireless business reached a record level of

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\$1.45 million, increasing 9% from the second quarter of 2012 and 33% from the second quarter of last year.

Capital spending for fixed wireless decreased significantly in Q3. Spending of \$1.9 million was almost 50% below the \$3.8 million level in Q2. Net cash used in our fixed wireless business was approximately \$500,000 in the third quarter, \$1.45 million of adjusted EBITDA, minus capital spending of \$1.9 million. We are establishing a corporate goal of bringing our fixed wireless business to a cash flow positive position in the first half of 2013.

We plan to bring our fixed wireless business to cash flow profitability without depending upon any revenue from one of its most promising future sources of revenue, providing backhaul to carriers in other uses of the small cell network. Many small cell antennas will be in locations where it is not physically possible or financially feasible to install fiber. In those instances, we will offer our fixed wireless network as a way for the carriers and other users of our small cell network to backhaul their traffic to an aggregation location of their choice.

We accelerated investment in our small cell network in the third quarter and our strategy was affirmed by AT&T's announcement earlier this week that plans to add 40,000-plus small cell locations beginning in 2013. With more than 10,000 Wi-Fi and small cell antenna locations presently available for lease, we are very well positioned as the carriers and tower companies migrate from their historical focus on macro cells to small cell.

It's just one example of the revenue potential of our small cell network. If we were to get a tenant paying \$500 per month and only wanted to rent 5,000 of our locations, less than half of our total locations, we will generate \$2.5 million or \$30 million per year in revenue and would produce a tower cash flow of more than \$25 million. This would have the effect of more than doubling our revenue base and would produce substantial cash flow from operations.

This example only assumes that half our locations are leased and does not reflect that our Wi-Fi nodes, of which there are presently more than 2,800, can be sold to literally an unlimited number of customers. We believe that the revenue and profit potential for our small cell rooftop tower locations is tremendous and then our investment to date will provide strong long-term returns for our shareholders.

With that, we'll open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] First question is from Sanford Lee of Canaccord Genuity.

Sanford Lee - Canaccord Genuity, Research Division

A couple of questions on the fixed wireless business and then a couple on the Wi-Fi. So your -- I guess your pro forma growth is about 8% now. I see you guys haven't made any big acquisitions this year. I just wanted -- and then also your guidance for next quarter is sort of flat revenue again quarter-over-quarter. Are you guys still consciously taking your foot off the accelerator as far as forwarding the fixed wireless business in favor of the Wi-Fi?

Jeffrey M. Thompson

Yes, that's a great question. And I think that everyone will appreciate on this call that putting this -- getting our network up and ready and having the amount of capabilities that we have now for the launch of small cell that's finally coming next quarter, we're really taking our capital for shareholders and putting it in a place that could give a much higher return on investment than investing in our sales force at this time. The focus on the fixed wireless business right now is going to be on cash flow profitability. We think that if we can pull cash flow out of that side of the business and invest it, that'll be a great -- invest it in the Wi-Fi business, that can be a great use of that cash flow. So it is a conscious decision to keep this current sales level as it is. We're all, obviously, still looking other -- at other acquisitions, but the focus right now as the small cell race or LAN grab has started to heat up right in front of us, we're going to keep laser focused on taking advantage of that opportunity.

Sanford Lee - Canaccord Genuity, Research Division

Okay, great. And then you did mention to the CapEx coming down on the fixed wireless side. Is that sort of what we should consider just in the run rate now for the next little bit?

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Jeffrey M. Thompson

Yes. I mean, if you look at our previous -- before, we did a bunch of acquisitions in a row, and if you looked at our CapEx in the previous years before the acquisition, the fixed wireless CapEx has always harbored around \$5 million. I think that's more normalized, around that range, but yes, that's correct.

Sanford Lee - Canaccord Genuity, Research Division

Great. And this is moving on to the Wi-Fi. Did I hear Joe correct, you're at a 2,800 Wi-Fi node count? I thought your goal is 5,000 by the end of Q1 '13. Is 2,800 correct?

Jeffrey M. Thompson

Yes, well, it changes every day. We did over, 1,000 nodes in Q3. We did surpass our own goal. We did 600 the quarter before that, and so we've proven that we can almost -- we went up 50% in one quarter which is exceptional for our team. We don't know if we'll be able to hit that same pace in Q4. We had a couple of bad weeks with Sandy, the storm, and we have a couple of weeks of holiday in the middle of this. So I don't know if we'll be able to replicate that pace, but we think we can make it up. So we're on track to get to our goals on Wi-Fi node counts. And along with that, we're averaging about 7.5 antennas per lease, so we're going to continue to grab these leases for the small cell as we go too.

Sanford Lee - Canaccord Genuity, Research Division

Great. And then the last one, and I'll jump back in the queue. Can you give us any update at all on the Wi-Fi integration with your 2 existing national carrier contracts?

Jeffrey M. Thompson

Yes. Actually, that's a great question. And it actually ties into a lot of different things. The integration's done. We've accomplished everything that we'd need to accomplish. They're still on track for Q1. We've actually tried to use the storm to push forward the revenue, because we have all these assets ready to go. We don't know if we're going to be successful by pushing them forward in -- or earlier. We hope we do. We don't know that yet, but everything's still on track with the existing folks, and the third trial's also going well.

Sanford Lee - Canaccord Genuity, Research Division

All right. So when you say the integration's done, the testing component of that is -- the carriers are happy with that, it's only just a matter of them turning on the switch now?

Jeffrey M. Thompson

I don't want to talk about my customers, but the switch could have been turned on a long time ago. We're going through the typical processes of large companies, but, yes, we're ready to go.

Operator

Our next question is from Donna Jaegers of D.A. Davidson.

Donna Jaegers - D.A. Davidson & Co., Research Division

On the Delos acquisition, can you give us a quick update on that, still sitting in front of the FCC?

Jeffrey M. Thompson

Yes, we're just waiting for FCC approval of the transfer of the licenses.

Donna Jaegers - D.A. Davidson & Co., Research Division

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Are you hopeful that, that will be by year end?

Jeffrey M. Thompson

We're certainly hopeful, Donna, I mean, we're pushing the FCC as forcefully, yet gently, as we can. And we're anxious to bring Houston on. It's the fourth largest city in the country, and we're ready for it. And the sooner, the better, for us.

Donna Jaegers - D.A. Davidson & Co., Research Division

Okay. And then on the fixed wireless CapEx that you already talked about a little, the increase in CapEx that we saw the last few quarters there before it started trending down, was that due to adding more radios for wireless backhaul or integration CapEx? What was -- why was it running so high?

Jeffrey M. Thompson

Certainly, a bit of -- both of those were part of it. I mean, obviously, we have to position the fixed wireless network to be able to handle the additional capacity of a backhaul traffic for the small cell network. Some of the acquisitions we did, especially Color Broadband, which is a big, sprawling network, we wanted to fully bring that up to our standards. Our Color Broadband has 44 PoPs spread across L.A., which, as you know, is a large geography city. So those were some of the reasons why CapEx for fixed wireless was so high for a couple of quarters.

Donna Jaegers - D.A. Davidson & Co., Research Division

Okay. And then on the prospects of wireless backhaul to the small cell sites, what sort of reaction are you getting from the carriers on that?

Jeffrey M. Thompson

Well, as I mentioned on the Q2 call and the Q3 call, we were trying to get out ahead of the small cell curve by talking to the teams that we're talking to on the Wi-Fi side. We have been successful in getting some of the requirements and the bandwidth capabilities. What we're seeing is with HSPA plus, we'll need about a 20-megabit backhaul channel for the small cell deployments, which we think that's going to be the first deployments in small cell. And the LTE backhaul requirements are about 40 megs to 50 megs, so those will be the 2 opportunities that we have. But, basically, it will just be a port on our rooftop. It's just like renting a port in a colo facility. We have, as you know, you've done the tours, we have 24-gig ports on our rooftops, so we have plenty of ports to sell these folks, if they want to use our backhaul.

Donna Jaegers - D.A. Davidson & Co., Research Division

Great. And then on the 10,000 leases that you guys have accumulated together for small cell, what's the average length of those leases?

Jeffrey M. Thompson

That -- the average length of those leases are, a dramatic amount of them, are probably over 20 years. We get 5 years with 3-, 5-year renewals at our choice. We ask for longer, if they'll give it to us. We know the carriers and our tower peers are trying to go to 40 years, but they're very long leases.

Donna Jaegers - D.A. Davidson & Co., Research Division

Great. And then just one last question. Obviously, AT&T, with the one slide that they had in their slide deck yesterday, talking about small cells and Wi-Fi all throughout in 2014 threw a lot of uncertainty into the market. You're still thinking that they're going to move to this early next year?

Jeffrey M. Thompson

Well, I was with a lot of these groups for the last week at the WBA Conference. We were with the AT&T guys, the Sprint folks. Everyone is pretty excited about bringing Wi-Fi into their networks now as a must-have situation as a here-now technology. The confusion, I'll let you know, is when they say, Wi-Fi -- well, LTE/Wi-Fi in 2014 is a integrated solution.

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That doesn't mean they're not going to do Wi-Fi here and now today. It's when they actually have Wi-Fi in the LTE small cell device.

Donna Jaegers - D.A. Davidson & Co., Research Division

Great. And then just on financing, I know people were worried that you guys were going to burn through your cash too quickly. Can you talk about any sort of other financing opportunities you've been talking, or that you've been lining up? Well, with only \$23 million of cash, obviously, on the balance sheet.

Jeffrey M. Thompson

Well, right now, we're very satisfied where we are. We have visibility into our revenue in early in the year. We know that the CapEx is probably at the peak right now. And we're on plan with our deployment. We have 10,000 units that we can lease and generate revenue from. So right now, we're comfortable with our cash position. We are exploring some other operating leases and things of that nature, but we're not at that point to have to worry about funding right now.

Operator

Our next question is from Greg Scott of Dominick and Dominick.

Greg Scott - Dominick and Dominick Securities Inc., Research Division

So just first on Hurricane Sandy, it sounds like you guys, your network, was able to withstand the flooding and everything. I just wanted you to confirm that, and if you've seen any traction, I know it's early, with the waiver fee for the rapid install?

Jeffrey M. Thompson

Yes, I don't want to sound like we're preying on people during these types of events, but we've -- any time that we see large -- even just large rainstorms in Manhattan, a lot of the manhole covers start bubbling up, and we know that there's a lot of copper and a lot of fiber that's getting wet. And with superstorm Sandy, that was just a -- the largest version of that, that we've ever seen, and we've done this drill before. What's really been fantastic for us is that everyone now understands that you cannot have your backup and your primary both coming in through the basement, whether it's fiber and copper, copper and fiber. People are getting it, they need either fiber and wireless, one through the roof, one through the basement. I will say that we had a couple of great sales days right after the event, and we've had some follow-through. I think we'll be able to tell some great stories, once we get these people up and running for a few weeks, and they can pick their heads up and tell people what we did for them.

Greg Scott - Dominick and Dominick Securities Inc., Research Division

Okay, great. And then any update on the national news media company that was under trial?

Jeffrey M. Thompson

Yes, we only had a couple of months available for them to be on there. We'll look into -- try to put them back. Right now, with all the stuff that we have going on in Manhattan, we're out of SSIDs, although we are Passpoint ready. We don't have enough spots to bring anyone back on at any trial. So once we do, we'll probably progress with that. And that's another advantage that Passpoint will enable for us.

Greg Scott - Dominick and Dominick Securities Inc., Research Division

So, I'm sorry, you're -- well, currently, all the SSIDs are completely booked?

Jeffrey M. Thompson

Yes. Well, yes. We're doing trials of carriers, all the other types of customers that we have to have ready at any time. It doesn't mean that they're closed sales or even non-paid trials, we are -- right now, we're currently out of SSIDs in Manhattan.

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Greg Scott - Dominick and Dominick Securities Inc., Research Division

Okay. Just so I'd clarify that. Out of the 3 carriers that you have announced are on trial or assigned, you have other people who are currently trialing?

Jeffrey M. Thompson

We have trialing, we have Skype and Microsoft, which has not been a huge revenue generator for us yet, but they have been moving forward with everything they told us they were going to do. They're now -- Microsoft Live is going to be replaced with Skype. And now that the Microsoft 8 platform is coming, we think the Skype SSID could be something important to us now. So with all the things that we have on there, right now -- and it's not -- we don't have the SSID. And that's all I can really say.

Operator

Our next question is from Donna Jaegers of D.A. Davidson.

Donna Jaegers - D.A. Davidson & Co., Research Division

Jeff, just a quick follow-up. Last quarter, you showed sort of other revenue that -- besides just the fixed wireless, and we assume that, that was sort of money from trials. In the third quarter, there was none of that. So were all the trials just carrier trials for free? Or are you, on the Wi-Fi revenues, are those being tucked into the cities where they're generated?

Jeffrey M. Thompson

We haven't really broken out which is which and what's trial revenue or anything that. There's nothing to really break out for us at this point. And what we are looking -- we're pretty close to having the company's reporting completely separate. And at that point, you'll get all the granular detail that you need, but I wouldn't put anything into that number that you just mentioned.

Operator

Our next question is from Rich O'Leary of Lacuna.

Richard O'Leary - Lacuna, LLC

Can you clarify for me a little bit. So AT&T announcement about deploying 40,000 small cells. Small cell seems to be an umbrella term for femtocells, picocells, sometimes even DAS. Can you kind of speak to that, like is there going to be a new term for outdoor small cell that they use in dense urban areas? In other words, in that 40,000, any sense of how much will be actually for outdoors? And maybe you can talk a little bit about the difference between a small cell and a DAS antenna?

Jeffrey M. Thompson

Well, there's like 8 questions in there, Rich. But let me just kind of boil things down to the term small cell, which is being used quite loosely right now. Most people have agreed, and the folks at Sprint kind of used the same kind of language this week at the WBA, is that small cell means anything that's a smaller cellular architecture, whether it's a Wi-Fi node, a DAS node, and a lot -- and they also call them metro cells, which is just a basically -- metro cell, femtocell, picocell, with all those things. The newer metro cells are basically an entire base station in a box, almost like a Wi-Fi node. Typically, ethernet fed -- and fed their power through the ethernet. So it's a base station in a box. It's about 16 by 12 and everything is in that box, and they can deliver -- to start with the -- a lot of the HSPA plus, and then we'll be migrating to LTE small cells. But it's just an umbrella term. But what everyone's talking about, those 40,000 plus nodes, those are typically to inject capacity in a lot of outdoor. There will be indoor but if you look at the hyperdensification that everyone is talking about right now, you're going to need anywhere from 10 to 30 small cells to replace macro cells to meet the demands from this mobile Internet tsunami. When you talk about DAS nodes, there's a lot of confusion in the market about DAS nodes. DAS was a great indoor technology, then it was kind of migrated to being an outdoor technology to use when you couldn't launch a traditional cell tower. The problem with DAS is that it's turned out to not be a true carrier neutral hosted device, so you can -- lots of times you can only get one carrier per DAS node, but they actually put off pretty good node cash flow even with one carrier. So you probably won't see as a true multi-hosted solution. When you

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compare it to Wi-Fi nodes, which are true carrier neutral host in a much lower cost structure, you can generate just as much node cash flow with a Wi-Fi node with significantly less revenue. And with Wi-Fi, we really don't know what the top side of the revenue is because you can have so many people on it unlike a DAS node. We don't want to bash DAS, because we think we might actually end up with some DAS nodes on our rooftops, but we see as small cell is starting to shift that it's not going to be a preferred outdoor solution. I hope I answered everything, because a lot of people are asking these questions.

Richard O'Leary - Lacuna, LLC

Yes, no, that was helpful. And then just sort of following on that. Small cell, you talk about this isn't really more like a traditional tower industry opportunity, it's basically a colocation that you provide for the carriers. They buy the equipment, there's no CapEx involved. I guess, what I'm curious about is what's the next steps for you, Towerstream, to be a sort of a certified vendor, a certified tower company for the carriers to basically offer colo for them, for small cell?

Jeffrey M. Thompson

Sure. The most important thing is there's a lack of places to put small cell. I don't want to beat it to death, but almost every presentation they mentioned small cell and Wi-Fi offload over the last few weeks has been the typical Achilles' heel which is SIDAC and backhaul. And Towerstream happens to be very well positioned with that. So if you have 40,000 locations that you want to put in dense urban environments, you're going to have find some locations to put that. So step 1 would be to have beachfront property, like Towerstream has, in some of the best urban markets, where they're probably going to need to go. Step 2 is to have the relationship with most of the carriers, we do, and we started diving into their small cell requirements quarters ago. Step 3 is typically just get a master lease agreement, which we're going to work as hard as we can to get through that phase. And then step 4 will be deployment. We think the small cell deployment, which have already been tested in AT&T's plan that we saw this week and along with other carriers, they're going to start deploying the UMTS and HSPA-plus stuff in Q1. And that's going to be to fill in the places where they have the most congestion. In the meetings that we've had, we've been told that this week that New York and San Francisco are the key items to start that race.

Richard O'Leary - Lacuna, LLC

Okay, great. And then last question, when you talk about backhaul for small cell, should I be thinking about that as backhaul per rooftop, or per small cell? So if you put -- I can see that we might have 3 or 4 small cells per roof. Is the backhaul going to be for all of them, or each individually?

Jeffrey M. Thompson

Yes. Let me just walk you through our architecture on a rooftop. We typically put a large traditional microwave point-to-point radio with 400 to 800, or sometimes 1 gig of bandwidth on that rooftop. And then we put in, basically, a router that you can get your port of bandwidth from. So if you have a, say, a HSPA-plus small cell on our rooftop, you might want to buy a 20-meg port from us, and that's available on our rooftop. So that will be one backhaul customer. Say another provider came on and put a EVDO small cell on the same rooftop, and they needed, say, a 10-meg port, that will be another customer. If someone put a LTE sector on that rooftop, they needed 50 megs, that would be a third port customer. So these would all be 3 different revenue-generating backhaul customers. It's like a colo facility in a data center.

Operator

Our next question is from Jonathan Schildkraut of Evercore Partners.

Jonathan A. Schildkraut - Evercore Partners Inc., Research Division

I have 2 questions. And speaking to AT&T and their approach to currently thinking about DAS, what they're telling us is that the big concern for them is in terms of sharing DAS or going onto a third party DAS network, is that they need to be able to operate the network. They don't want to share the operation of the network. Now it's my understanding and the ability to rollout small cell onto your architecture would actually give them the opportunity to manage the operation of the network. So maybe if you could explain a little bit about the difference in terms of the carrier control of the small cell within the context of your architecture? And then separately, one of the big challenges for small cell is, obviously, the backhaul. And you guys have the wireless backhaul mesh networks. How often are your locations places where fiber backhaul also exists?

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Jeffrey M. Thompson

Jonathan, that's 2 great questions, and I'm sure that you gave the folks at AT&T a lot of great questions. The -- that's a great observation about DAS. It does give them less flexibility, and AT&T is famous for only wanting to control their own networks, so I completely agree with that. With small cell, we're completely out of the picture. We're just a straight -- they're just releasing a spot on our rooftop. And if they do want a port, because in case there isn't any fiber in that building, and I'll go into that in a little bit more detail, we wouldn't even -- we really wouldn't really be Internet access for them, we'd traditionally just be probably one hop to a cross connect with the MPLS tunnel, so it's more transport than Internet access, so they could continue to control that node without us being involved whatsoever. They'd just be renting transport. Another great question which people haven't really asked a lot about is a lot of the rooftops where people were going to put small cell devices, lots of times do not have a business case for the Tier 1 carriers to put fiber in. So many times, they will not -- they will not be a fiber lit location, whether it's the side of a building, or it's next to a parking garage. A lot of these places will not be fiber friendly locations, and that will be -- give our fixed wireless a great strategic advantage.

Operator

Our next question is from a Jeb Terry of Aberdeen Investment.

Jeb Terry

Jeff, actually, most of my questions have already been answered. So I think I'll just leave it at that. I think everybody's done a great job in asking questions this time around. Congratulations on getting all those sites.

Operator

Our next question is from Sanford Lee of Canaccord Genuity.

Sanford Lee - Canaccord Genuity, Research Division

Just one last follow-up question on the third wireless carrier deal. I didn't see anything in the release or the 10-Q. Can you give any updates on how that sort of trial's going, and your, I guess, general thoughts on converting it into a longer-term contract?

Jeffrey M. Thompson

Yes, no, I did mention it a little bit, but we've had some pretty good results. We're -- what's really interesting is we're developing a pretty intense relationship with them. They're impressed with our team. They've been -- they're one of the unique carriers that's pretty forward about what they want, what they want for delivery dates, and when they'll jump on. So we're pretty excited about this third carrier, and they have very specific things that they want in the future. So that's pretty much all I can say.

Operator

I'm not showing any questions at this time. I'd like to hand the call back over the management for any further remarks.

Jeffrey M. Thompson

Well, thanks, folks, again. I'd -- thanks for being on the call. We worked really hard over the last couple of quarters to build this portfolio. And we've built a lot of stuff, and it's great to see that the carriers are finally going to come. So we're excited about this. Our team's done a great job. We're going to continue to build this out, and we look forward to a great 2013. Thank you, folks.

Operator

Ladies and gentlemen, thank you for participating in today's presentation. This concludes today's program. You may all now disconnect. Everyone have a great day.

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